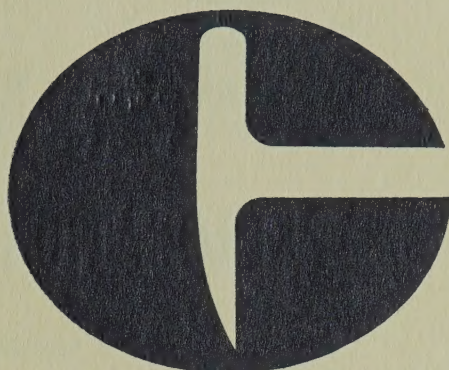


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**CONWEST
EXPLORATION**
C O M P A N Y L I M I T E D

THIRTY-SECOND ANNUAL REPORT

December 31 — 1970

Thirty-Second Annual Report

of

C O N W E S T

EXPLORATION COMPANY LIMITED

OFFICERS	F. M. CONNELL, O.B.E. - - - - - Chairman C. R. ELLIOTT - - - - - President M. P. CONNELL - - - - - Exec. Vice-President and Treasurer I. F. T. KENNEDY - - - - - Vice-President J. R. SCRIMGER - - - - - Secretary D. B. MacDERMOTT - - - - - Assistant Secretary
DIRECTORS	F. M. CONNELL, O.B.E. - - - - - Toronto, Ontario W. H. CONNELL - - - - - Spencerville, Ontario E. B. CONNELL - - - - - Spencerville, Ontario M. P. CONNELL - - - - - Toronto, Ontario J. D. CHRISTIAN, C.B.E. - - - - - Toronto, Ontario K. A. CREERY - - - - - Montreal, Quebec C. R. ELLIOTT - - - - - Bowmanville, Ontario S. E. JAMIESON - - - - - Toronto, Ontario I. F. T. KENNEDY - - - - - Toronto, Ontario
TRANSFER AGENT AND REGISTRAR	MONTREAL TRUST COMPANY - - - - - Toronto, Ontario
BANKERS	THE ROYAL BANK OF CANADA
AUDITORS	CLARKSON, GORDON & CO. - - - - - Toronto, Ontario
SOLICITOR	D. B. MacDERMOTT - - - - - Toronto, Ontario
ADMINISTRATIVE OFFICE	TENTH FLOOR, 85 RICHMOND STREET WEST - Toronto, Ontario
FIELD OFFICES	SUITE 1102, 475 HOWE ST. - - - - - Vancouver, B.C. WHITEHORSE, Y.T.
ANNUAL MEETING	10.30 A.M., May 27, 1971 - - - - - Royal York Hotel Toronto, Ontario



Report of the Directors

To the Shareholders,
Conwest Exploration Company Limited.

Your directors submit the 32nd Annual Report on the affairs of your company including your Auditors' Report, the balance sheet as at December 31, 1970 and the related statements of income and retained earnings and the statement of source and application of funds for the year ended on that date.

The Annual Report of Cassiar Asbestos Corporation Limited is appended for your information.

CASSIAR ASBESTOS CORPORATION LIMITED

Your company holds 550,100 shares of Cassiar Asbestos Corporation Limited.

During the year, Cassiar earned \$16,471,450 before providing for depreciation, waste removal and other write-offs aggregating \$7,951,138 leaving a net profit before income taxes of \$8,520,312. Provision for income taxes of \$760,000 for the current year and \$620,000 deferred to future years, resulted in a net profit for the year of \$7,140,312 or \$1.31 per share as compared with \$6,662,923 or \$1.27 per share earned in 1969.

As previously reported, during the year Cassiar undertook expansion of the Cassiar Mill to enable it to produce 100,000 tons of fibre per year of present grades on a five day week compared with the present capacity on this basis of 75,000 tons. An additional grade of fibre will also be recovered to further increase output. It was anticipated that the mill would be in operation early this year, but delays due to labour disputes have resulted in the postponement of the completion of the mill until April, 1971.

Dividends received from Cassiar during the year provided your company with an income of \$440,080.

Your attention is directed to the Cassiar report for full particulars of that company's operations.

JOREX LIMITED

Your company holds 80,000 shares of Jorex Limited representing approximately 6% of the outstanding capital of that company, and has undertaken to subscribe for a further 80,000 shares at \$1.00 per share on or before June 30, 1971. Jorex conducts a programme of general exploration across Canada. During 1970 it carried on mineral exploration for its own account and in participation with others in the Provinces of Quebec, Ontario, Manitoba and British Columbia. It also participated in two syndicates carrying on exploration in the Southwestern United States and Washington State respectively. While no discoveries were made during the year, several projects were sufficiently interesting to warrant further work. An active programme is planned for 1971.

SEVERN MINES LIMITED

Three diamond drill holes totalling 843 feet were drilled to test the extent of silver-lead-zinc-cadmium mineralization located on claims owned by Severn Mines Limited in the Setting Net Lake area of Ontario. Results were disappointing and the option on the claims was relinquished.

WEST GRAHAM MINES LIMITED

Conwest holds 701,863 shares or 48% of the capital stock of West Graham Mines Limited issued and outstanding as at December 31, 1970. No work was carried out during the year.

BUFFALO RIVER EXPLORATION LIMITED

Your company holds 958,310 shares representing 39.8% of the issued and outstanding capital stock at December 31, 1970 of Buffalo River Exploration Limited. The company holds 376 mining claims in the Pine Point area of the Northwest Territories. During the year 930 feet of diamond drilling was completed west of the Buffalo River and filed as assessment work. Land surveys were carried out on those claims not previously surveyed and when approved, leases will be obtained. Previous drilling has outlined the 408 orebody four miles north of Pine Point where 1,414,600 tons of ore having an average grade of 3.4% lead and 9.8% zinc may be recoverable by open pit mining to a depth of 350 feet. Development of this ore under present metal market conditions is not contemplated.

BASIN OIL EXPLORATION LIMITED

Your company holds 681,661 shares of Basin Oil Exploration Limited representing 62% of the capital stock of that company. As a means of effective participation in oil and gas exploration in Western Canada, Basin subscribed for 100,000 shares of the capital stock of Bluemount Resources Limited at the price of \$5.00 per share whereof 50,000 shares have been taken up and paid for and the remaining 50,000 shares will be taken up and paid for December 1, 1972. Bluemount Resources Limited is an oil and gas exploration company based in Calgary, Alberta. It will use its resources in participation with Northern Natural Gas Company to explore for oil and gas in Western Canada. Since conclusion of the agreement in December, 1970, one indicated gas well near Calgary has been drilled, and other exploratory wells in Northern Alberta and the Yukon Territory are currently drilling.

CONISKA COPPER MINES LIMITED

Conwest holds a 50% interest in Coniska Copper Mines Limited. Coniska holds 10 mining claims adjoining the Opemiska Copper Mine in the Chibougamau area of Quebec. Three holes totalling 1,600 feet were diamond drilled during the year to test induced polarization anomalies on the claims. Some sulphides were encountered but no ore was found.

CONWEST EXPLORATION OVERSEAS LIMITED

Conwest Exploration Overseas Limited has issued and outstanding 2,400,000 shares of which your company holds 1,092,000. Conwest Exploration Overseas Limited through its subsidiary, Conwest Exploration (Australia) N.L., is carrying on a comprehensive programme of long-term exploration in Australia. The major effort during the year under review, was again concentrated on Western Australia where the company has acquired a number of properties offering interesting possibilities for nickel-copper mineralization. These properties are currently under investigation either directly by the company's staff or through option agreements with other companies. As indicated in last year's report, an increasing amount of attention is being directed to other parts of Australia and at the present time, one copper prospect is held in Queensland which will be investigated during the current year.

During the year, Conwest Exploration (Australia) N.L. was incorporated with a capital of 7,500,000 shares of which 3,600,000 shares were issued for the capital stock of Conwest (Australia) N.L. formerly owned by Conwest Exploration Overseas Limited and Conwest Exploration Overseas Limited subscribed for a further 400,000 shares at A\$400,000. Subsequently, 1,250,000 shares were issued at the price of A\$1.00. At December 31, 1970, Conwest Exploration (Australia)'s outstanding issued capital was 5,250,000 shares of which Conwest Exploration Overseas Limited held 4,000,000 shares. Your company's holdings of Conwest Exploration Overseas Limited therefore represent a 34⅓% interest in the Australian company.

GENERAL EXPLORATION IN WHICH CENTRAL PATRICIA GOLD MINES LIMITED PARTICIPATED TO THE EXTENT OF 20%

British Columbia

Your company entered into an agreement with Amoco Canada Limited pursuant to which Amoco can earn a 60% interest in the CW, QC, and GJ claims held by your company in the Stikine River area of British Columbia, by expending \$2,500,000. During the year, Amoco carried out a drilling programme on known copper mineralization on each of the three groups of claims and has indicated its intention to continue to explore two of the claim groups in 1971.

For the past three years, Conwest has participated with three other companies in the N.B.C. Prospecting Syndicate which has been carrying on exploration in the North Central area of British Columbia. In 1971, this Syndicate will limit its activity, including diamond drilling, to a group of claims staked during 1970 on some interesting copper geochemical anomalies.

Conwest will participate in 1971 with two partners in a newly formed prospecting syndicate in British Columbia which will operate under the management of Messrs. Bacon and Crowhurst, Consulting Engineers in Vancouver.

Two fluorite prospects were acquired during 1970 in Northern British Columbia and the Yukon. These and other fluorite prospects will be examined during 1971.

A programme of prospecting was carried out during 1970 in northeastern British Columbia. Some tungsten mineralization was found and will be further investigated. A drilling programme on a silver-lead-zinc prospect in this area is being considered.

An exploration office has been opened at Suite 1102, 475 Howe Street, Vancouver.

Yukon Territory

A geochemical reconnaissance programme was carried out in the South Central Yukon. Some copper and molybdenum soil anomalies will be further investigated in 1971. Conwest will participate in the exploration of an antimony prospect in the Mayo area, that was optioned during the year.

Northwest Territories

Minor programmes involving geological and geophysical surveys and prospecting were carried out at three locations in the Northwest Territories.

Ontario

Your company holds eight groups of claims in the Sturgeon Lake area in which Selco Exploration Company Limited is participating on a fifty-fifty basis. Selco carried out airborne geophysical surveys of the claims and several anomalous areas will be investigated.

Late in the year, several hundred claims were acquired near Pickle Lake, Ontario in the general vicinity of a reported copper discovery. Geophysical surveys of the claims are planned.

Airborne electromagnetic and magnetic surveys were flown in the Wunnumin Lake area of Northern Ontario and nine drill holes totalling 3,234.5 feet were drilled to test seven electromagnetic anomalies. Sulphides were cut in all drill holes. Assays revealed minor copper and zinc values in two of the anomalies drilled. The area is almost totally covered with overburden to depths of 50 feet and further ground geophysical surveys and drilling are required to evaluate the many airborne anomalies found on the several hundred claims that have been staked.

Ground electromagnetic and magnetic surveys in the Confederation Lake area of Ontario failed to disclose any exploration targets.

General

Your company maintains a capable exploration staff of engineers and geologists well supported by experienced prospectors, under the management of Mr. T. L. Horsley, and will maintain its active exploration policy. Your Directors express their appreciation of the faithful service rendered the company by its employees.

On Behalf of the Board,

F. M. CONNELL,
Chairman.

C. R. ELLIOTT,
President.

Toronto, Ontario,
April 21, 1971.

Conwest Exploration Company Limited

STATEMENT OF INCOME AND RETAINED EARNINGS

Year ended December 31, 1970

(with comparative figures for the year 1969)

See note 1

Income:	1970	1969
Dividends	\$ 1,014,225	\$ 679,889
Interest	251,407	190,161
Gain on sale of investments	150,584	1,452,826
	<u>1,416,216</u>	<u>2,322,876</u>
 Expense:		
General exploration together with the cost of current and prior years' direct exploration and development expenditures on mining claims and properties which were abandoned during year (note 2)	332,839	273,886
General and administrative	292,267	230,704
Depreciation	5,337	4,517
	<u>630,443</u>	<u>509,107</u>
Less portion of expenditures recovered from other companies	82,763	101,710
	<u>547,680</u>	<u>407,397</u>
Income before undernoted item	868,536	1,915,479
Provision for losses (profits) of subsidiary companies (note 5) ..	177,618	(7,237)
Net income for the year	<u>✓ 690,918</u>	<u>✓ 1,922,716</u>
Retained earnings at beginning of year	14,866,521	13,243,805
	<u>15,557,439</u>	<u>15,166,521</u>
Dividends totalling 12¢ per share	300,000	300,000
Retained earnings at end of year	<u>\$15,257,439</u>	<u>\$14,866,521</u>
Earnings per share	<u>\$ 0.28</u>	<u>\$ 0.77</u>

Conwest Exploration Company Limited

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1970

(with comparative figures for the year 1969)

Source of funds:	1970	1969
Dividends and interest	\$1,265,632	\$ 870,050
Proceeds from sale of investments	1,960,031	3,900,805
Other		75,839
	<u>3,225,663</u>	<u>4,846,694</u>
Less purchase of investments	2,081,546	2,668,534
	<u>1,144,117</u>	<u>2,178,160</u>
Application of funds:		
Expended upon exploration and development of mining claims and properties including general exploration and administrative costs	1,224,702	730,937
Less recovered from others	227,576	133,803
	<u>997,126</u>	<u>597,134</u>
Subscription to shares in and advances to other mining companies for exploration purposes	278,991	317,932
Equipment purchases	7,153	6,278
Dividends paid	300,000	300,000
	<u>1,583,270</u>	<u>1,221,344</u>
Net increase (decrease) in working capital	(439,153)	956,816
Working capital at beginning of year	3,746,691	2,789,875
Working capital at end of year	<u>\$3,307,538</u>	<u>\$3,746,691</u>

Conwest Exploration

(Incorporated under

Balance Sheet -

(with comparative fig

ASSETS

Current:

	1970	1969
Cash	\$ 602,850	\$ 1,100,065
Short-term investments at cost plus accrued interest (approximately market)	2,523,166	2,588,183
Accounts receivable	396,264	303,179
Total current assets	3,522,280	3,991,427

Investment in mining companies and properties (notes 2-6):

Shares with a quoted market value at cost	7,381,439	7,273,154
Other shares and advances at cost less amounts written off ..	3,180,046	2,601,189
Subsidiary companies	1,261,038	1,422,652
Mining properties at cost and expenditures thereon	1,391,592	1,088,865
Total interest in mining companies and properties	13,214,115	12,385,860

Fixed assets at cost less accumulated depreciation of \$22,128

(\$46,561 in 1969)	20,784	18,968
	<u>\$16,757,179</u>	<u>\$16,396,255</u>

Company Limited

(of Canada)

December 31, 1970

(the year 1969)

LIABILITIES

Current:

	1970	1969
Accounts payable and accrued	\$ 64,742	\$ 94,736
Dividend payable	150,000	150,000
Total current liabilities	214,742	244,736

Shareholders' equity:

Capital —

Authorized:

3,000,000 shares of no par value

Issued:

2,500,000 shares 1,284,998 1,284,998

Retained earnings 15,257,439 14,866,521

16,542,437 16,151,519

On behalf of the Board:

C. R. ELLIOTT, Director.

J. D. CHRISTIAN, Director.

\$16,757,179

\$16,396,255

The accompanying notes are an integral part of these financial statements.

Conwest Exploration Company Limited

NOTES TO THE FINANCIAL STATEMENTS

December 31, 1970

1. Accounting presentation

The comparative figures of the financial statements for the year ending December 31, 1969 have been revised to conform with the presentation adopted in 1970.

2. Accounting policy

The company's policy is to write off all general exploration expenditures incurred during the year and to capitalize the direct cost of acquisition and expenditure thereon in mining properties which were in good standing at the year end. Upon disposal or abandonment of such interest the net gain or loss is reflected in the statement of income and retained earnings.

3. Shares with a quoted market value at cost

	DECEMBER 31, 1970			
	No. of Shares	% of outstanding capital	Cost	Indicated Market Value
Cassiar Asbestos Corporation Limited . . .	550,100	10.0%	\$2,402,647	\$12,927,000
Central Patricia Gold Mines Limited . . .	257,724	10.3%	261,202	639,000
Other investments with a quoted market value			4,717,590	4,234,000
Total cost and indicated market value December 31, 1970			<u>\$7,381,439</u>	<u>\$17,800,000</u>
Total cost and indicated market value December 31, 1969			<u>\$7,273,154</u>	<u>\$16,809,000</u>

4. Other shares and advances at cost less amounts written off

	DECEMBER 31, 1970		
	No. of Shares	% of outstanding capital	Cost
Buffalo River Exploration Limited	958,310	39.8%	\$ 233,925
Chance Mining & Exploration Co. Ltd.	1,439,533	49.0%	298,798
Conwest Exploration Overseas Limited	1,092,000	45.5%	1,024,054
West Graham Mines Limited	701,863	48.0%	87,469
			1,644,246
Poseidon N.L. (an Australian Company)			343,518
Other shares			1,072,719
Advances			119,563
Total cost December 31, 1970			<u>\$3,180,046</u>
Total cost December 31, 1969			<u>\$2,601,189</u>

The 47,500 shares of Poseidon N.L. held by the Company form part of an issue of 500,000 shares. One shareholder has brought an action to set aside the allotment and issue of the shares. The action is being contested. The quoted market price as at December 31, 1970 for shares of Poseidon N.L. which were registered for trading on the relevant stock exchanges was \$49.00 Canadian per share.

5. Investment in and advances to subsidiary companies

	% of outstanding Capital	BOOK VALUE DECEMBER 31	
		1970	1969
Shares at cost less amounts written off			
Basin Oil Exploration Limited	62.2%	\$ 511,050	\$ 511,050
Bay Copper Mines Limited	79.7%	184,380	184,380
Coniska Copper Mines Limited	50.0%	104,028	104,028
Ketza River Mines Limited	64.6%	114,035	114,035
Ontario Lithium Company Limited	83.1%	100,707	100,707
Willow Creek Mines	100.0%	125,000	125,000
Other subsidiaries (6)	(63.3%-100.0%)	85,064	85,064
		<u>1,224,264</u>	<u>1,224,264</u>
Advances at cost		442,209	426,205
		<u>1,666,473</u>	<u>1,650,469</u>
Less provision for losses		405,435	227,817
		<u>\$1,261,038</u>	<u>\$1,422,652</u>

In accordance with Section 121 of the Canada Corporations Act the following are the details relating to the unconsolidated subsidiary companies:

- The subsidiary companies' financial statements have not been consolidated because, in the opinion of management, such consolidation would be inappropriate. The assets of the subsidiary companies include cash and investments at market value less accounts payable aggregating \$319,700 in which the company's equity is \$194,909. The balance of the company's investment in subsidiary companies is represented by mining claims, properties, expenditures thereon and other deferred amounts, the value of which can only be determined through operation, sale or abandonment.
- The company's proportion of the aggregate losses less profits of subsidiaries for the respective financial periods coinciding with or ending in the financial period of the company totalled \$177,618 which has been treated in the statement of income and retained earnings as a provision for losses of subsidiary companies.
- The aggregate of the losses less profits of the subsidiaries since their acquisition is \$405,435.

6. Mining properties at cost and expenditures thereon

Balance at beginning of year		\$1,088,865
Deduct		
Prior years' expenditures charged to operations	\$ 103,163	
Prior years' expenditures reclassified as cost of investments received in consideration therefor	<u>152,056</u>	<u>255,219</u>
		833,646
Add		
Current year's expenditures capitalized net of related recoveries of \$144,813		<u>557,946</u>
Balance at end of year		<u>\$1,391,592</u>

7. Subsequent event

Subsequent to the year end the company has revised its pension plan. The actuarial estimate of the present value of the vested past service liability under the revised plan is \$285,000. It is intended that this amount will be funded and charged to expense in future years in amounts to be determined when the details of the plan are finalized.

8. Other statutory information

Fees paid to nine directors	\$ 2,800
Remuneration of seven officers of which five are directors	70,300
Remuneration of two others deemed officers pursuant to Section I(29)(ii) of the Ontario Securities Act	<u>30,800</u>
	<u>\$ 103,900</u>

Clarkson, Gordon & Co.

Chartered Accountants

Royal Trust Tower
P.O. Box 251 Toronto-Dominion Centre
Toronto 111, Canada

Halifax Saint John Quebec Montreal Ottawa
Toronto Hamilton Kitchener London Windsor
Thunder Bay Winnipeg Regina Calgary
Edmonton Vancouver Victoria

Arthur Young, Clarkson, Gordon & Co.
United States—Brazil

Telephone 864-1234 (Area Code 416)

AUDITORS' REPORT

To the Shareholders of
Conwest Exploration Company Limited:

We have examined the balance sheet of Conwest Exploration Company Limited as at December 31, 1970 and the statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 2, 1971.

Clarkson, Gordon & Co.

Chartered Accountants

Conwest Exploration Company Limited

Management and Exploration Personnel

GENERAL OFFICERS:

Chairman of the Board	-	-	-	-	-	-	-	-	-	F. M. CONNELL, O.B.E., LL.D.
President	-	-	-	-	-	-	-	-	-	C. R. ELLIOTT, C.A.
Executive Vice-President & Treasurer	-	-	-	-	-	-	-	-	-	M. P. CONNELL
Vice-President	-	-	-	-	-	-	-	-	-	I. F. T. KENNEDY, B.Sc., P.Eng.
Consulting Engineer	-	-	-	-	-	-	-	-	-	J. D. CHRISTIAN, C.B.E., B.A.Sc.
Assistant to the President	-	-	-	-	-	-	-	-	-	S. K. BRIGHAM, B.A.Sc.
Secretary	-	-	-	-	-	-	-	-	-	J. R. SCRIMGER
Assistant Secretary and Solicitor	-	-	-	-	-	-	-	-	-	D. B. MacDERMOTT, B.Sc., LL.B.
Chief Accountant	-	-	-	-	-	-	-	-	-	J. C. LAMACRAFT, C.A.

EXPLORATION AND DEVELOPMENT DIVISION:

Canada:

Manager	-	-	-	-	-	-	-	-	-	T. L. HORSLEY, B.A.Sc.
Chief Geologist	-	-	-	-	-	-	-	-	-	H. J. HODGES, B.A.Sc.
Geologist — Vancouver	-	-	-	-	-	-	-	-	-	G. W. GRANT
Geologist — Whitehorse	-	-	-	-	-	-	-	-	-	G. S. ZIMMER
Geologist	-	-	-	-	-	-	-	-	-	H. S. SWINDEN, B.Sc.
Geologist	-	-	-	-	-	-	-	-	-	J. R. ALLAN, B.Sc.
Assistant to the Manager	-	-	-	-	-	-	-	-	-	K. G. MILLER
Land Secretary	-	-	-	-	-	-	-	-	-	B. W. POPE

Australia:

Manager	-	-	-	-	-	-	-	-	-	C. K. O'CONNOR, B.A.Sc., P.Eng.
Chief Geologist	-	-	-	-	-	-	-	-	-	G. W. McCONNELL, B.A.Sc., M.A.Sc., P.Eng.

(Continued)

Conwest Exploration Company Limited

OPERATING DIVISIONS, CASSIAR ASBESTOS CORPORATION LIMITED — CASSIAR MINE, Cassiar, B.C.

General Officers

Chairman of the Board	-	-	-	-	-	-	-	-	-	F. M. CONNELL, O.B.E., LL.D.
President	-	-	-	-	-	-	-	-	-	J. D. CHRISTIAN, C.B.E., B.A.Sc.
Vice-President and Secretary-Treasurer	-	-	-	-	-	-	-	-	-	C. R. ELLIOTT, C.A.
General Manager	-	-	-	-	-	-	-	-	-	J. G. BERRY, B.Sc.
Manager of Operations	-	-	-	-	-	-	-	-	-	A. C. BEGUIN, B.A.Sc.
Assistant to the President	-	-	-	-	-	-	-	-	-	S. K. BRIGHAM, B.A.Sc.
Consulting Engineer	-	-	-	-	-	-	-	-	-	T. T. TIGERT, B.A.Sc.
Assistant Secretary	-	-	-	-	-	-	-	-	-	J. R. SCRIMGER
Assistant Treasurer	-	-	-	-	-	-	-	-	-	M. G. MAZURKEWICH
Chief Accountant	-	-	-	-	-	-	-	-	-	M. J. HERZOG, C.A.

Operating Division

General Superintendent	-	-	-	-	-	-	-	-	-	A. C. CARON
Production Superintendent	-	-	-	-	-	-	-	-	-	B. KOVACS, B.A.Sc.
Mine Superintendent	-	-	-	-	-	-	-	-	-	W. L. GIACHINO, B.A.Sc.
Mill Superintendent	-	-	-	-	-	-	-	-	-	J. J. LEES, B.Sc.
Project Superintendent	-	-	-	-	-	-	-	-	-	C. R. HARRIS, B.A.Sc.
Plant Superintendent	-	-	-	-	-	-	-	-	-	G. EDWARDS
Equipment Supervisor	-	-	-	-	-	-	-	-	-	W. ZEMENCHIK
Mechanical Supervisor	-	-	-	-	-	-	-	-	-	J. C. VELTMEYER
Electrical Supervisor	-	-	-	-	-	-	-	-	-	F. KLIMENT
Surface Supervisor	-	-	-	-	-	-	-	-	-	L. TISCHLER
Chief Engineer	-	-	-	-	-	-	-	-	-	J. ST. GEORGES, B.A.
Chief Geologist	-	-	-	-	-	-	-	-	-	W. N. PLUMB, B.E.M., B.A.Sc.
Senior Office Manager	-	-	-	-	-	-	-	-	-	J. H. THORNICROFT
Chief Mine Accountant	-	-	-	-	-	-	-	-	-	C. N. GANDER

CLINTON MINE, Yukon Territory

General Superintendent	-	-	-	-	-	-	-	-	-	J. R. MURDOCH, B.Sc.
Production Superintendent	-	-	-	-	-	-	-	-	-	M. De ROUIN, B.Sc.
Mine Superintendent	-	-	-	-	-	-	-	-	-	T. F. FERDERBER, B.Sc.
Mill Superintendent	-	-	-	-	-	-	-	-	-	W. LYALL, B.Sc.
Plant Superintendent	-	-	-	-	-	-	-	-	-	J. M. BELL
Equipment Supervisor	-	-	-	-	-	-	-	-	-	E. O'NEILL
Mechanical Supervisor	-	-	-	-	-	-	-	-	-	P. J. WATTERS
Electrical Supervisor	-	-	-	-	-	-	-	-	-	R. O. HOFFMAN
Chief Engineer	-	-	-	-	-	-	-	-	-	J. G. DREWE, B.Sc.
Chief Mine Accountant	-	-	-	-	-	-	-	-	-	D. O. ACASON

TRANSPORT DIVISION, Whitehorse, Y.T.

General Superintendent	-	-	-	-	-	-	-	-	-	W. E. ROYDS, D.S.M., C.D., B.A.Sc.
Assistant General Superintendent	-	-	-	-	-	-	-	-	-	W. G. WHITEHOUSE
Operations and Maintenance Superintendent	-	-	-	-	-	-	-	-	-	J. L. ROBBINS
Accountant	-	-	-	-	-	-	-	-	-	K. J. MULLOY

ASBESTOS WHARF, North Vancouver, B.C.

Superintendent — Vancouver Operations	-	-	-	-	-	-	-	-	-	J. T. WARD
Wharf Supervisor	-	-	-	-	-	-	-	-	-	M. PHILLIPS
Purchasing Agent	-	-	-	-	-	-	-	-	-	K. B. SCRIMGER

Cassiar Asbestos Corporation Limited

Report of the Directors

To the Shareholders,
Cassiar Asbestos Corporation Limited:

Your directors have pleasure in presenting the nineteenth annual report on the affairs of your company including the consolidated balance sheet as at December 31, 1970, statements of consolidated operations, retained earnings and source and application of funds for the year ended on that date and your auditors' report thereon.

FINANCIAL

The profit from operations was \$16,471,450 before providing for depreciation, waste removal, and other write-offs aggregating \$7,951,138, leaving a net profit before income taxes of \$8,520,312. Provision for income taxes of \$760,000 for the current year and \$620,000 deferred to future years, results in a net profit for the year of \$7,140,312, or \$1.31 per share (5,500,000 shares issued) as compared to \$6,662,923, or \$1.27 (5,252,500 shares issued) earned in 1969.

As previously reported, 247,500 shares of capital stock were issued early in 1970 at a price of \$20.00 per share to provide \$4,950,000. This increased the outstanding capital stock from 5,252,500 shares to 5,500,000 shares.

During the year, at the Clinton Mine, capital expenditures for plant and equipment amounted to \$2,676,365 and waste removal cost \$2,073,600.

At the Cassiar Mine, plant and equipment renewal cost \$1,307,901, mill expansion \$5,270,593 and waste removal \$3,516,559.

At Whitehorse and North Vancouver \$646,271 were expended on buildings and equipment.

Labour disruptions at the Cassiar Mine and within the sphere of the company's operations had a serious effect on earnings, particularly in the last quarter of the year. These may be summarized as follows.

The longshoremen's strike in Vancouver in the fall of 1969 necessitated the establishment of stockpiles of fibre in Whitehorse, Yukon Territory. Part of the additional expense of moving these stockpiles to market was incurred in January and February of 1970.

The rail division of the White Pass and Yukon Route was on strike from 13 July to 17 August 1970 and all fibre movement from Whitehorse to Vancouver was again stopped until 26 August 1970. During this six-week period essential customer requirements from Clinton were shipped through Alaska and from Cassiar through Fort St. John. The balance of some 9,715 tons was stockpiled in Whitehorse. By continuing the more expensive movements through Alaska and Fort St. John this stockpile was reduced to normal levels by mid-October.

The Cassiar Mine was on strike from 5 November until 21 November 1970, over contract negotiations and it was not until 26 November that production was restored to a normal three-shift basis.

It is estimated that the loss of profit before taxes that resulted from these various disruptions was \$935,000.

The construction of the mill expansion at Cassiar which commenced in the spring of 1970 was shut down between 18 June and 13 July 1970 by a strike of the construction trade unions in British Columbia and again between 3 November and 25 November 1970 by the Cassiar Mine strike.

This has resulted in a four-month delay in the completion of construction and the cost has risen from \$4,300,000 to \$6,800,000. While there have been a number of improvements in the flowsheet and in environmental control, a substantial part of the increased cost can be attributed to labour disruptions.

Your company has acquired a 10% interest at a cost of \$25,000 in Turners Building Products Ltd., a new firm engaged in the manufacturing of asbestos-cement products in the Vancouver area of British Columbia.

SALES

Fibre sales in 1970 reached a new high of 196,387 tons valued at \$41,321,623 compared with 171,493 tons valued at \$37,188,930 in 1969.

The market for all grades of fibre was strong throughout the year and there are indications of a further ten percent increase in the volume of the company's sales in 1971.

The prices of the company's fibres were increased on 1 January 1971 by an average of six percent. The previous price increase was on 1 January 1969.

CASSIAR MINE

Mine

During the year 917,633 tons of ore were mined, of which 900,090 tons were treated in the rock rejection plant to eliminate 222,154 tons of rock. The untreated balance of 17,543 tons was high grade ore which is not amenable to this form of concentration. The resulting 677,936 tons of concentrate and 17,543 tons of untreated ore were delivered to the mill, 464,073 tons by tramline and 231,406 tons by truck.

A total of 4,269,300 tons of waste was removed from the orebody at a cost of \$3,516,559. It is the company's accounting policy to capitalize the cost of waste removal. The waste is related to sections of ore released for mining by its removal and the cost is apportioned accordingly. As the ore is mined from a "section", the appropriate portion of waste removal is written off as a part of the ore mining cost. On this basis, the waste charge against the ore currently being mined is \$1.68 per ton.

Shear blasting in the hanging wall waste continues to prove successful and the slope of the pit walls is gradually being steepened to approximately 45°.

Unit costs and productivity in both the mine and mill were satisfactory. Most of the ore was mined from the lower grade footwall zone completing the removal of Phase 4.

Mill

The mill treated 689,388 tons of ore and concentrate and produced 85,871 tons of fibre. The mill expansion originally scheduled for completion by the first of the year will not be completed until early April, 1971. It is anticipated that the loss of the additional production programmed for the first quarter of 1971 will be recovered during the balance of the year.

Ore Reserves

The probable ore reserves within the presently planned pit limits and to a depth of 340 feet below the lower adit are estimated at 23,000,000 tons. A diamond drilling programme will be carried out in 1971, at a cost of approximately \$150,000, to test the ore zone to a depth of 700 feet below the adit and to confirm the location and attitude of the hanging wall and footwall contacts. This information is essential to the long range planning.

Training Programme

There was a continuing shortage of skilled tradesmen during the year and the training programme again proved of considerable value in up-grading the qualifications of company personnel. An extension of this programme is currently being introduced at the Clinton Mine.

CLINTON MINE

Mine

During the year, 1,480,522 tons of ore were mined and delivered to the mill by the tramline. The rock rejection plant was by-passed for most of the year and only 144,611 tons were rejected. Preliminary tests indicate that further crushing of the ore will permit full time use of the rock rejection circuit which, in turn, will provide some additional capacity in the mill. The necessary equipment should be installed by June 1971.

A total of 4,536,738 tons of waste was removed at a cost of \$2,073,600. The write-off of this waste is handled in the same fashion as at Cassiar and in 1970, the charge against each ton of ore mined was \$1.10.

Unit costs in the mine and mill were maintained at a satisfactory level.

Mill

The mill treated 1,335,087 tons of ore and produced 104,386 tons of fibre. As at Cassiar, the ore came largely from the lower grade footwall zone with the result that little spinning fibre was produced, although the spinning circuit proved useful in maintaining the quality of the regular grades. It is anticipated that the ore grade will be slightly below average throughout most of 1971.

Ore Reserves

The probable ore reserves to a depth of 200 feet below the adit are estimated at 20,500,000 tons. A diamond drilling programme will be carried out this year at an estimated cost of \$180,000 to outline in more detail the probable ore reserves in the Bear Creek extension and to further investigate a zone lying below the planned pit limits in which a few holes from earlier drilling returned low grade ore sections.

TRANSPORT DIVISION

The announcement that the Pacific Great Eastern Railway will have a line into Dease Lake, less than one hundred miles from Cassiar, by late 1974 and that their line to Fort Nelson will be completed by the fall of 1971 has necessitated some changes for the Transport Division. A four year agreement is being negotiated with the White Pass and Yukon Route whereby during 1971 they will gradually take over all but 30,000 tons of the truck haul from Cassiar to Whitehorse. In 1972, the remaining 30,000 tons will be taken over by the Pacific Great Eastern and moved via Fort Nelson. It is expected that in 1975 the total Cassiar Mine production will be moved by the Pacific Great Eastern via Dease Lake. The Transport Division will continue to handle the bulk of the Clinton Mine production. Any employees who might be displaced by this transition will be given prior consideration by the White Pass and Yukon Route for similar employment.

ASBESTOS WHARF — NORTH VANCOUVER

Your company and the White Pass and Yukon Route have jointly acquired an additional six acres of land adjoining the Asbestos Wharf property on the east. This will provide sufficient space to meet changing conditions that will result from the rail movement via Dease Lake and a probable increase in containerization of overseas shipments.

KUTCHO CREEK ASBESTOS COMPANY LIMITED

The trenching and geological work completed during the year indicated that the fibre content of the southeast and northwest anomalous zones located in 1966 was very low and not of commercial grade. In the main showing, the two zones which were thought to be separated by a band of waste have been shown by trenching to be one zone. This has enhanced the tonnage potential but grade determination will have to await further diamond drilling and underground adit development. Tentatively, this is planned for the summer of 1972.

GENERAL EXPLORATION

The long term exploration programme of selected areas in British Columbia and the Yukon Territory was continued but no showings of economic interest were found.

An option on a group of antimony claims in the Mayo area of the Yukon was turned over to a group of companies for which Conwest Exploration Company Limited is acting as manager. Your company received a twenty percent carried interest until a sum of \$200,000, including option payments, has been expended on the property and thereafter will have the right to maintain this interest by providing twenty percent of the funds if further development is warranted.

Exploration will continue in 1971.

RESEARCH

The research programme is proving to be of considerable value in customer relations and in the control of quality in our products.

LABOUR

A collective bargaining agreement, effective 30 September 1970 and expiring 30 November 1972, was signed by the company and the United Steelworkers of America, local 564 Clinton Creek and local 925 Whitehorse, Yukon Territory.

Following a strike, which lasted from 5 November to 21 November 1970, an agreement expiring on 30 November 1972 was signed with local 6536 Cassiar, British Columbia.

ACKNOWLEDGEMENTS

The directors wish this year to particularly commend members of the staff of all divisions and the employees for the initiative and effort they displayed in overcoming the many obstacles and disruptions encountered throughout the year.

On Behalf of the Board,

F. M. CONNELL,
Chairman.

J. D. CHRISTIAN,
President.

Toronto, Canada,
March 16, 1971.

Clarkson, Gordon & Co.
Chartered Accountants

Royal Trust Tower
P.O. Box 251 Toronto-Dominion Centre
Toronto 111, Canada

Halifax Saint John Quebec Montreal Ottawa
Toronto Hamilton Kitchener London Windsor
Thunder Bay Winnipeg Regina Calgary
Edmonton Vancouver Victoria

Arthur Young, Clarkson, Gordon & Co.
United States—Brazil

Telephone 864-1234 (Area Code 416)

AUDITORS' REPORT

To the Shareholders of
Cassiar Asbestos Corporation Limited:

We have examined the consolidated balance sheet of Cassiar Asbestos Corporation Limited and its subsidiaries as at December 31, 1970 and the statements of consolidated operations and retained earnings and consolidated source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 16, 1971.

Clarkson, Gordon & Co.
Chartered Accountants

Cassiar Asbestos Corporation Limited

and its subsidiaries

STATEMENTS OF CONSOLIDATED OPERATIONS AND RETAINED EARNINGS

For the Year Ended December 31, 1970
(with comparative figures for the year 1969)

OPERATIONS

	1970	1969
Revenue:		
Asbestos fibre sales	\$41,321,623	\$37,188,930
Other sales	529,573	313,182
Investments	33,257	25,048
Gain on sale of land	40,963	
	<u>41,925,416</u>	<u>37,527,160</u>
Expenses:		
Cost of sales (note 1)	20,758,088	17,817,211
Transportation to Vancouver and warehousing (note 1) ..	9,648,240	8,466,446
Administration, selling and general expenses (note 7)	2,274,673	1,828,458
Exploration and research expenses	280,042	249,030
Interest on borrowings	432,993	709,636
	<u>33,394,036</u>	<u>29,070,781</u>
Minority interest in profit of subsidiary	8,531,380	8,456,379
	<u>11,068</u>	<u>3,456</u>
Profit before income taxes	<u>8,520,312</u>	<u>8,452,923</u>
Income taxes (note 4):		
Current	760,000	2,165,000
Deferred	620,000	(375,000)
	<u>1,380,000</u>	<u>1,790,000</u>
Net profit for the year	<u>\$ 7,140,312</u>	<u>\$ 6,662,923</u>
Earnings per share	<u>\$ 1.31</u>	<u>\$ 1.27</u>

RETAINED EARNINGS

Balance at beginning of year	\$17,577,605	\$14,066,182
Net profit for the year	7,140,312	6,662,923
	<u>24,717,917</u>	<u>20,729,105</u>
Dividends totalling 80¢ per share (1969 — 60¢ per share) ..	4,400,000	3,151,500
Balance at end of year	<u>\$20,317,917</u>	<u>\$17,577,605</u>

Cassiar Asbestos Corporation Limited

and its subsidiaries

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

For the Year Ended December 31, 1970
(with comparative figures for the year 1969)

	1970	1969
Working capital deficiency, beginning of year	\$ 1,330,200	\$ 3,551,737
Reclassification of 1968 employees' home purchase agreements (note 8)		301,591
	<u>1,330,200</u>	<u>3,853,328</u>
Source of funds:		
Operations —		
Net profit (excluding gain on sale of land at \$40,963)	7,099,349	6,662,923
Waste removal costs amortized	3,170,197	2,317,309
Preproduction costs amortized	666,235	627,141
Exploration costs written off	175,432	163,349
Depreciation	3,939,274	3,436,982
Income taxes deferred	620,000	(375,000)
	<u>15,670,487</u>	<u>12,832,704</u>
Capital stock issued for cash	4,950,000	
Special refundable tax recoverable		33,761
Minority interest in consolidated subsidiary	63,368	3,456
	<u>20,683,855</u>	<u>12,869,921</u>
Application of funds:		
Plant and equipment (net) —		
Cassiar Mine	6,578,494	1,156,391
Clinton Mine	2,676,365	1,520,662
Transport division	507,273	294,652
Asbestos Wharf	3,840	1,931
Whitehorse	135,158	35,030
Waste removal costs —		
Cassiar Mine	3,516,559	2,555,898
Clinton Mine	2,073,600	1,396,342
Employees' home purchase agreements	125,853	51,627
	<u>15,617,142</u>	<u>7,012,533</u>
Exploration, development, mining claims and land (net)	334,584	182,760
Purchase of investments	40,126	
Dividends	4,400,000	3,151,500
	<u>20,391,852</u>	<u>10,346,793</u>
Increase in working capital during year	292,003	2,523,128
Working capital deficiency, end of year	<u>\$ 1,038,197</u>	<u>\$ 1,330,200</u>

CASSIAR ASBESTOS CO.

(Incorporated under the
and its

Consolidated Balance Sheet (with comparative figures)

ASSETS		1970	1969
Current:			
Accounts receivable	\$ 5,569,944	\$ 6,276,768	
Asbestos fibre at cost	3,485,526	3,998,167	
Ore stockpiled at cost	337,656	293,395	
Inventory of supplies at cost	3,170,145	2,818,388	
Prepaid expenses	163,666	198,356	
Total current assets	<u>12,726,937</u>	<u>13,585,074</u>	
Investments:			
Investments at cost plus accrued interest (market value 1970 — \$296,013; 1969 — \$271,542)	440,439	400,313	
Employees' home purchase agreements at cost	479,071	353,218	
	<u>919,510</u>	<u>753,531</u>	
Fixed (at cost — notes 1 and 6):			
Mine plant and equipment	42,445,959	35,181,168	
Automotive equipment	9,255,600	7,761,012	
Asbestos Wharf — leasehold improvements, buildings and equipment	1,408,693	1,450,346	
Whitehorse — buildings and equipment	1,157,389	1,063,857	
Roads	186,815	186,815	
	<u>54,454,456</u>	<u>45,643,198</u>	
Less accumulated depreciation	<u>19,821,513</u>	<u>16,972,111</u>	
	<u>34,632,943</u>	<u>28,671,087</u>	
Deferred:			
Mining claims and land at cost (note 2)	2,808,919	2,768,372	
Exploration, development and other preproduction costs less amounts written off (notes 1 and 2)	5,597,215	6,103,882	
Waste removal costs less amounts written off (note 1)	16,775,780	14,355,818	
	<u>25,181,914</u>	<u>23,228,072</u>	
	<u>\$73,461,304</u>	<u>\$66,237,764</u>	

Sidaries

the year 1969)

PAGE TWENTY-THREE

Cassiar Asbestos Corporation Limited

and its subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 1970

1. Depreciation and amortization

The basis of depreciation and amortization is as follows:

Depreciation —

Buildings — 5% per annum on cost.

Equipment — 10% per annum on cost.

Automotive equipment cost is charged to operations at uniform rates over the estimated useful life.

During the year the depreciation charged to operations amounted to \$3,939,274 (1969 — \$3,436,982).

Amortization of waste removal costs —

Waste removal costs are charged to operations on a per ton of ore mined basis, the rate being determined by dividing the cost of waste removal by the estimated tons of ore to be released.

During the year waste removal costs charged to cost of production amounted to \$3,170,197 (1969 — \$2,317,309).

Amortization of preproduction costs —

Preproduction costs are amortized on a per ton of ore mined basis, the rate being determined by dividing the cost by the estimated ore reserves.

During the year preproduction costs charged to cost of production amounted to \$666,235 (1969 — \$627,141).

2. Exploration costs

The companies' policy is to write off all general exploration expenditures incurred during the year and to capitalize the direct cost of acquisition and expenditure thereon in mining properties which were in good standing at the year end. Upon disposal or abandonment of such interest the net gain or loss is reflected in the statement of operations.

3. Bank credit

The companies have established a line of credit secured pursuant to section 88 of the Bank Act by a general assignment of accounts receivable and inventories of asbestos fibre, ore and supplies in the aggregate amount of \$9,000,000.

4. Income taxes

The provision for income taxes for the 1969 and 1970 years reflects the fact that under the Income Tax Act the income from the Clinton mine is exempt from income taxes for the three-year period ending March 31, 1971.

The companies follow the income tax allocation method of accounting for all differences in the timing of deductions for tax and accounting purposes arising from depreciation, waste removal costs, and exploration and development costs. Income taxes deferred of \$10,175,000 on the balance sheet represents income tax reductions which have arisen to date from claiming such items for tax purposes in excess of the amounts recorded in the accounts.

5. Consolidated subsidiaries

Cassiar Asbestos (Alaska) Inc.	— 100% owned
Kutcho Creek Asbestos Company Limited	— 100% owned
Territorial Supply Company Limited	— 75% owned

6. Fixed assets

The mill expansion at Cassiar Mine is scheduled for completion by April 1971. The estimated cost has been revised to \$6,800,000 of which \$5,339,350 was expended to December 31, 1970.

7. Other statutory information

Fees paid to thirteen directors	\$ 17,650
Remuneration of seven officers of which three are directors	148,000
Remuneration of three others deemed officers pursuant to section 1(29)(ii) of the Ontario Securities Act	73,834
	<u>\$ 239,484</u>

8. Accounting presentation

In 1970, employees' home purchase agreements have been included in investments instead of current assets and the 1969 figures have also been reclassified.

9. Capital

As previously reported, 247,500 shares of the company's capital stock were issued for cash consideration of \$4,950,000 as of March 23, 1970.

10. Subsequent event

Subsequent to the year end the company has revised its pension plan. The actuarial estimate of the present value of the vested past service liability under the revised plan is \$600,000. It is intended that this amount will be funded and charged to expense in future years in amounts to be determined when the details of the plan are finalized.

Cassiar Asbestos Corporation Limited

SUMMARY OF CONSOLIDATED OPERATIONS

For the Year Ended December 31, 1970

(with comparative figures for the year 1969)

	1970				1969			
	Total	Clinton Mine	Cassiar Mine	Subsidiary company	Total	Clinton Mine	Cassiar Mine	Subsidiary company
Revenue:								
Asbestos fibre sales	\$41,321,623	\$20,800,757	\$20,520,866		\$37,188,930	\$16,335,487	\$20,853,443	
Other sales	529,573			\$ 529,573	313,182			\$ 313,182
Investments	33,257		33,257		25,048		25,048	
Gain on sale of land	40,963			40,963				
	<u>41,925,416</u>	<u>20,800,757</u>	<u>20,554,123</u>	<u>570,536</u>	<u>37,527,160</u>	<u>16,335,487</u>	<u>20,878,491</u>	<u>313,182</u>
Expenses:								
Cost of sales	20,758,088	10,773,180	9,535,788	449,120	17,817,211	8,050,894	9,509,768	256,549
Transportation to Vancouver and warehousing	9,648,240	5,512,349	4,135,891		8,466,446	4,408,882	4,057,564	
Administration, selling and general expenses	2,274,673	1,150,246	1,047,286	77,141	1,828,458	805,109	980,539	42,810
Exploration and research expenses	280,042		280,042		249,030		249,030	
	<u>32,961,043</u>	<u>17,435,775</u>	<u>14,999,007</u>	<u>526,261</u>	<u>28,361,145</u>	<u>13,264,885</u>	<u>14,796,901</u>	<u>299,359</u>
	<u>8,964,373</u>	<u>3,364,982</u>	<u>5,555,116</u>	<u>44,275</u>	<u>9,166,015</u>	<u>3,070,602</u>	<u>6,081,590</u>	<u>13,823</u>
Minority interest in profit of subsidiary	11,068			11,068	3,456			3,456
Profit before interest expense and income taxes	<u>\$ 8,953,305</u>	<u>\$ 3,364,982</u>	<u>\$ 5,555,116</u>	<u>\$ 33,207</u>	<u>\$ 9,162,559</u>	<u>\$ 3,070,602</u>	<u>\$ 6,081,590</u>	<u>\$ 10,367</u>

CASSIAR ASBESTOS CORPORATION LIMITED—TEN YEAR REVIEW

	1970	1969	1968
Ore mined (tons)	2,398,155	1,729,053	1,798,284
Ore and concentrate milled (tons)	2,024,475	1,565,703	1,287,107
Waste removed (tons)	8,806,038	6,583,976	6,289,136
Fibre produced tons	190,256	167,411	140,021
Fibre sold (tons)	196,387	171,493	124,728
Sales	\$41,321,623	\$37,188,930	\$27,119,821
Profit before deducting the following	16,471,450	14,997,704	11,794,325
Depreciation	3,939,274	3,436,982	3,136,853
Exploration and development written off	4,011,864	3,107,799	2,085,080
Net earnings before taxes	8,520,312	8,452,923	6,572,392
Provision for current taxes	760,000	2,165,000	1,395,000
Provision for deferred taxes	620,000	(375,000)	345,000
Net earnings	\$ 7,140,312	\$ 6,662,923	\$ 4,832,392
Net earnings per share	\$ 1.31	\$ 1.27	92¢
Dividends declared per share	80¢	60¢	60¢

CAPITAL EXPENDITURES:

Land, plant and equipment	\$ 9,901,130	\$ 3,008,666	\$ 4,356,990
Mine development — Cassiar	3,516,559	2,555,898	2,307,866
— Clinton	2,073,600	1,396,342	2,196,969
Exploration	334,584	182,760	66,948

BALANCE SHEET — AT END OF FISCAL PERIOD:

Net working capital and investments	\$ (118,687)	\$ (576,669)	\$(3,117,663)
Territorial Supply Company Limited	— *	— *	— *
Plant and equipment	54,454,456	45,643,198	42,921,458
Mining claims and land	2,808,919	2,768,372	2,777,964
Deferred development	22,372,995	20,459,700	19,412,718
Total	79,517,683	68,294,601	61,994,477
Deduct — Long term bank loan	—	—	—
— Purchase contract payable	—	—	—
— Deferred taxes	10,175,000	9,555,000	9,930,000
— Accumulated depreciation	19,821,513	16,972,111	13,811,866
— Minority interest in subsidiary	299,780*	236,412*	232,956*
Shareholders' equity	\$49,221,390	\$41,531,078	\$38,019,655

Shares of capital stock issued at end of period	5,500,000	5,252,500	5,252,500
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* Included as subsidiary

	Years ended	December 31				15 Months Oct. 1, 1960 to Dec. 31, 1961
1967	1966	1965	1964	1963	1962	1961
1,029,474	901,650	743,765	705,205	756,574	720,416	674,791
756,787	706,492	613,404	587,908	588,733	569,571	581,835
4,125,054	4,299,373	4,542,457	3,464,705	2,824,197	2,357,623	2,550,035
92,093	87,900	85,432	66,897	62,214	57,568	56,556
91,973	94,089	82,883	64,245	62,824	51,844	55,708
\$21,023,006	\$20,393,363	\$17,526,197	\$14,466,691	\$13,882,535	\$12,665,656	\$14,593,795
10,116,004	9,841,812	8,498,620	7,336,746	6,682,009	6,179,710	6,934,758
1,492,336	1,439,523	1,134,471	1,093,058	1,054,740	1,091,772	1,307,529
1,798,483	1,616,523	1,295,677	1,265,226	1,427,461	1,038,733	1,067,076
6,825,185	6,785,766	6,068,472	4,978,462	4,199,808	4,049,205	4,560,153
500,000	765,000	1,310,000	1,185,000	950,000	950,000	600,000
2,150,000	1,875,000	1,070,000	765,000	660,000	650,000	1,130,000
\$4,175,185	\$ 4,145,766	\$ 3,688,472	\$ 3,028,462	\$ 2,589,808	\$ 2,449,205	\$ 2,830,153
80¢	87¢	81¢	76½¢	65¢	62¢	71¢
60¢	60¢	60¢	60¢	60¢	60¢	75¢
\$11,756,202	\$ 8,881,995	\$ 2,739,710	\$ 1,962,105	\$ 1,391,630	\$ 518,235	\$ 1,359,994
2,801,594	2,508,192	2,715,778	2,259,102	2,442,363	2,007,698	2,288,921
2,072,857	2,719,191	737,708	305,250	117,858	—	—
197,894	269,778	21,656	25,348	40,840	29,593	270,623
\$ 2,500,502	\$ 3,194,817	\$11,437,161	\$ 3,497,143	\$ 3,898,855	\$ 4,512,588	\$ 4,213,321
175,000	175,000	175,000	225,000	275,000	275,000	275,000
38,361,730	26,720,300	18,115,007	15,827,789	14,615,849	13,606,270	13,337,576
2,695,315	2,630,491	2,599,956	2,590,712	2,308,596	2,371,505	2,423,168
16,945,301	13,737,213	9,864,030	7,693,810	6,371,453	5,133,445	4,196,939
60,677,848	46,457,821	42,191,154	29,834,454	27,469,753	25,898,808	24,446,004
4,000,000	—	—	—	—	—	—
75,000	150,000	225,000	300,000	—	—	—
9,585,000	7,435,000	5,560,000	4,490,000	3,725,000	3,065,000	2,415,000
10,679,085	9,302,471	8,116,570	7,434,592	6,787,353	6,090,216	5,360,617
—	—	—	—	—	—	—
\$36,338,763	\$29,570,350	\$28,289,584	\$17,609,862	\$16,957,400	\$16,743,592	\$16,670,387
5,252,500	4,775,000	4,775,000	3,960,000	3,960,000	3,960,000	3,960,000

Cassiar Asbestos Corporation Limited

Management and Operating Personnel

GENERAL OFFICERS

Chairman of the Board	-	-	-	-	-	-	-	F. M. CONNELL, O.B.E., LL.D.
President	-	-	-	-	-	-	-	J. D. CHRISTIAN, C.B.E., B.A.Sc.
Vice-President and Secretary-Treasurer	-	-	-	-	-	-	-	C. R. ELLIOTT, C.A.
General Manager	-	-	-	-	-	-	-	J. G. BERRY, B.Sc.
Manager of Operations	-	-	-	-	-	-	-	A. C. BEGUIN, B.A.Sc.
Assistant to the President	-	-	-	-	-	-	-	S. K. BRIGHAM, B.A.Sc.
Consulting Engineer	-	-	-	-	-	-	-	T. T. TIGERT, B.A.Sc.
Assistant Secretary	-	-	-	-	-	-	-	J. R. SCRIMGER
Assistant Treasurer	-	-	-	-	-	-	-	M. G. MAZURKEWICH
Chief Accountant	-	-	-	-	-	-	-	M. J. HERZOG, C.A.

OPERATING DIVISIONS

CASSIAR MINE, Cassiar, B.C.

General Superintendent	-	-	-	-	-	-	-	A. C. CARON
Production Superintendent	-	-	-	-	-	-	-	B. KOVACS, B.A.Sc.
Mine Superintendent	-	-	-	-	-	-	-	W. L. GIACHINO, B.A.Sc.
Mill Superintendent	-	-	-	-	-	-	-	J. J. LEES, B.Sc.
Project Superintendent	-	-	-	-	-	-	-	C. R. HARRIS, B.A.Sc.
Plant Superintendent	-	-	-	-	-	-	-	G. EDWARDS
Equipment Supervisor	-	-	-	-	-	-	-	W. ZEMENCHIK
Mechanical Supervisor	-	-	-	-	-	-	-	J. C. VELTMAYER
Electrical Supervisor	-	-	-	-	-	-	-	F. KLIMENT
Surface Supervisor	-	-	-	-	-	-	-	L. TISCHLER
Chief Engineer	-	-	-	-	-	-	-	J. ST. GEORGES, B.A.
Chief Geologist	-	-	-	-	-	-	-	W. N. PLUMB, B.E.M., B.A.Sc.
Senior Office Manager	-	-	-	-	-	-	-	J. H. THORNICROFT
Chief Mine Accountant	-	-	-	-	-	-	-	C. N. GANDER

CLINTON MINE, Yukon Territory

General Superintendent	-	-	-	-	-	-	-	J. R. MURDOCH, B.Sc.
Production Superintendent	-	-	-	-	-	-	-	M. DE ROUIN, B.Sc.
Mine Superintendent	-	-	-	-	-	-	-	T. F. FERDERBER, B.Sc.
Mill Superintendent	-	-	-	-	-	-	-	W. LYALL, B.Sc.
Plant Superintendent	-	-	-	-	-	-	-	J. M. BELL
Equipment Supervisor	-	-	-	-	-	-	-	E. O'NEILL
Mechanical Supervisor	-	-	-	-	-	-	-	P. J. WATTERS
Electrical Supervisor	-	-	-	-	-	-	-	R. O. HOFFMAN
Chief Engineer	-	-	-	-	-	-	-	J. G. DREWE, B.Sc.
Chief Mine Accountant	-	-	-	-	-	-	-	D. O. ACASON

TRANSPORT DIVISION, Whitehorse, Y.T.

General Superintendent	-	-	-	-	-	-	-	W. E. ROYDS, D.S.M., C.D., B.A.Sc.
Assistant General Superintendent	-	-	-	-	-	-	-	W. G. WHITEHOUSE
Operations and Maintenance Superintendent	-	-	-	-	-	-	-	J. L. ROBBINS
Accountant	-	-	-	-	-	-	-	K. J. MULLOY

ASBESTOS WHARF, North Vancouver, B.C.

Superintendent — Vancouver Operations	-	-	-	-	-	-	-	J. T. WARD
Wharf Supervisor	-	-	-	-	-	-	-	M. PHILLIPS
Purchasing Agent	-	-	-	-	-	-	-	K. B. SCRIMGER



Tenth Floor
85 Richmond Street West
TORONTO 1, ONTARIO

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To the Shareholders:

Notice is hereby given that the Annual General Meeting of the Shareholders of Conwest Exploration Company Limited will be held at the Royal York Hotel, 100 Front St. W., Toronto, Ontario, Wednesday, April 29, 1970 at the hour of 10.00 o'clock in the forenoon, (Toronto time) for the following purposes:—

1. To receive the thirty-first annual report of the directors.
2. To receive the financial statement of the Company for the year ended December 31, 1969, together with the auditors' report thereon.
3. To elect directors.
4. To appoint auditors.
5. To transact such other business as may properly come before the meeting.

By order of the Board of Directors,

J. ROSS SCRIMGER,
Secretary.

Dated at Toronto, Ontario, March 17, 1970.

Conwest Exploration Company Limited

INFORMATION CIRCULAR

Solicitation of Proxies

This statement is furnished by the management of Conwest Exploration Company Limited, hereinafter called the "Company", in connection with the solicitation of proxies for use at the Annual Meeting of Shareholders of the Company to be held on Wednesday, April 29, 1970, at the Royal York Hotel, 100 Front Street West, Toronto, Ontario, at 10.00 o'clock in the forenoon (Toronto time), for the purpose set out in the accompanying notice of meeting.

IN THE EVENT OF YOUR NOT BEING PRESENT AT THE ANNUAL MEETING, THE MANAGEMENT OF THE COMPANY SOLICITS YOUR PROXY AND YOU ARE REQUESTED TO SIGN, DATE AND RETURN THE ENCLOSED INSTRUMENT OF PROXY.

Solicitation is being made by mail, which may be supplemented by telephone or other personal contact, to be made without special compensation by officers and employees of the Company. The Company will bear all expenses in connection with the solicitation of proxies but the Company will not reimburse Shareholders nominees or agents for any costs incurred in obtaining from their principals instruments of proxy or authorization to execute such proxies.

Revocability of Proxy

Any proxy given by a registered Shareholder may be revoked by notice in writing received by the Company on or before April 28, 1970, or at the Annual Meeting by notice in writing being received by or deposited with the Chairman of the Annual Meeting which shall be a good and valid revocation of such proxy, except as to any matter in which a vote may already have been cast pursuant to the authority conferred by such proxy.

Voting Shares and Principal Holders Thereof

As of March 17, 1970, the authorized capital of the Company is 3,000,000 shares without nominal or par value whereof 2,500,000 shares, each carrying one vote, are issued and outstanding as fully paid and non-assessable. The registered holders of all such issued shares are entitled to vote at the meeting. Each such holder will be entitled to one vote for each share held.

To the knowledge of the directors and senior officers of the company, there is one Shareholder beneficially owning directly or indirectly 10% or more of the issued and outstanding shares of the Company as follows:—

<u>Name of Shareholder</u>	<u>No. of Shares Held</u>
Ian F. T. Kennedy	390,401

Election of Directors

The board of directors consists of nine directors who are elected at the Annual Meeting to serve until the next Annual Meeting or until their successors are elected or appointed. It is intended to vote the proxies received pursuant to this solicitation for the re-election of the nine nominees who are presently directors of the Company. In the event that any vacancy occurs in the slate of nominees submitted herewith, which is not anticipated, it is intended that the persons named in the accompanying instrument of proxy reserve the right to vote for another person of their choice in place of the nominee who is unable to serve as a director. The names of and pertinent information with respect to each of the nominees for re-election as directors as reported by each is shown below, including the year in which each nominee first became a director of the company:

<u>Proposed Nominees</u>	<u>Principal Occupation or Employment</u>	<u>Director from</u>	<u>Number of Shares Beneficially Owned</u>	<u>Number of Shares Held by Associates*</u>
Frederick M. Connell Director	Chairman of the Board of the Company.	June 20, 1938	55,716	—
W. Harold Connell Director	Vice-President of the Company.	June 20, 1938	39,066	—
Earl B. Connell Director	Farm Manager.	April 29, 1963	35,001	—
Martin P. Connell Director	Treasurer of the Company, formerly associated with McLeod, Young, Weir & Co. Ltd.	Sept. 27, 1968	195,084	345,525
John D. Christian Director	President, Cassiar Asbestos Corporation Limited, an asbestos mining company. Executive Vice-President of the Company.	April 30, 1953	1	—
Kenneth A. Creery Director	Retired. Formerly Chairman of The British Metal Corporation (Canada) Limited, a metal marketing company.	Oct. 27, 1938	2,502	—
Charles R. Elliott Director	President of the Company.	May 5, 1950	5,175	—
Stewart E. Jamieson Director	President of The British Metal Corporation (Canada) Limited.	April 30, 1953	1	—
Ian F. T. Kennedy Director	Geologist, formerly associated with Cassiar Asbestos Corporation Limited.	Sept. 27, 1968	390,401	345,525

* Associates

An "associate" as defined by the Securities Act, 1966 of the Province of Ontario means,

- "i. any company of which such person or company beneficially owns, directly or indirectly, equity shares carrying more than 10 per cent of the voting rights attached to all equity shares of the company for the time being outstanding,
- ii. any trust or estate in which such person or company has a substantial beneficial interest or as to which such person or company serves as trustee or in a similar capacity, or
- iii. any relative or spouse of such person or any relative of such spouse who, in any such case, has the same home as such person."

Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid by the Company during the year ended December 31, 1969, to the directors and senior officers was \$133,733.

The aggregate cost to the Company during the year ended December 31, 1969, with respect to all pension benefits proposed to be paid to the directors and senior officers in the event of retirement at normal retirement age (65 years) was \$4,713.

Appointment of Auditors

It is proposed that Clarkson, Gordon & Co., Chartered Accountants, the present Auditors, be re-appointed as auditors of the Company, to hold office until the next Annual Meeting of shareholders at a remuneration to be fixed by the board of directors of the Company. Clarkson, Gordon & Co. have been the auditors of the Company since its inception.

Other Business

The management is not aware of any matters to be presented for action at the meeting other than those listed in the notice of meeting. However, if other matters properly come before the meeting, it is the intention of the persons named in the accompanying instrument of proxy to vote the said proxies in accordance with their best judgment on such matters.

By Order of the Board of Directors,

J. ROSS SCRIMGER,
Secretary.

DATED March 17, 1970,
Toronto, Ontario.

CONWEST EXPLORATION COMPANY LIMITED

Interim Report to the Shareholders

The unaudited balance sheet and related statements of income, earned surplus, and source and application of funds for the six months ended June 30, 1970 with comparative figures for the same period in 1969 are submitted for your information.

Your company is continuing its programme of active exploration throughout Canada. An airborne geophysical project was undertaken in northwestern Ontario and ground follow-up is now in progress. In northern British Columbia and the Yukon several prospecting parties supported by helicopter are carrying out exploration programmes in selected areas. Elsewhere a number of prospects have been investigated.

Conwest Exploration Overseas Limited is continuing active exploration in Australia, through its wholly owned subsidiary, Conwest (Australia) N.L. This work is principally directed to the nickel belt of Western Australia. The proposed public financing outlined in the last annual report has been delayed due to changes to the prospectus required as a result of new rules recently introduced by the Australian stock exchanges. It is anticipated that reports now being submitted to the Australian stock exchanges will meet these requirements and that the underwriting can be completed in the near future.

C. R. ELLIOTT,
President.

Toronto, Ontario,
Aug. 4, 1970.

CONWEST EXPLORATION

(Incorporated under the laws of the Province of Ontario)

Balance Sheet

(with comparative figures for 1969)

ASSETS

	June 30, 1970	December 31, 1969
Current:		
Cash	\$ 141,921	\$ 1,100,065
Short-term investments at cost plus accrued interest (approximately market)	3,447,471	2,588,183
Other current assets	393,156	336,333
Total current assets	3,982,548	4,024,581
Interest in mining companies and properties —		
Shares with quoted value — at cost:		
Cassiar Asbestos Corporation Limited	2,402,647	2,402,647
Other companies	5,115,749	5,169,305
(market value 1970 — \$16,300,000, 1969 — \$16,900,000)	7,518,396	7,571,952
Shares in Poseidon N.L. (Australian company) at cost	343,518	343,518
Other shares and advances at cost, less amounts written off	2,453,298	1,933,317
Subsidiary companies —		
Shares at cost	1,224,264	1,224,264
Advances	420,970	418,606
Provision for losses	(231,816)	(227,816)
Mining properties at cost and expenditures thereon	1,256,363	1,088,865
Total interest in mining companies and properties	12,984,993	12,352,706
Prospecting equipment and other fixed assets at cost less accumulated depreciation of \$43,842 (\$46,561 in 1969)	21,805	18,968
	<u>\$16,989,346</u>	<u>\$16,396,255</u>

CONWEST EXPLORATION COMPANY LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Six Months Ended June 30, 1970

(With comparative figures for the six months ended June 30, 1969)

	1970	1969
Source of Funds:		
Income from investments	\$ 679,923	\$ 420,857
Proceeds from sale of shares in mining companies	1,458,738	1,603,475
	<u>2,138,661</u>	<u>2,024,332</u>
Application of Funds:		
Expended upon exploration and development of mining claims and properties including subscription to shares in and advances to other mining companies for exploration purposes	853,233	494,565
Purchase of shares in other mining companies	1,284,630	1,203,748
Purchase of fixed assets and prospecting equipment	5,237	260
Dividend of 6 cents per share	150,000	150,000
	<u>2,293,100</u>	<u>1,848,573</u>
Net increase (decrease) in working capital for the period	(154,439)	175,759
Working capital (current assets less current liabilities) beginning of period	3,779,845	2,891,540
Working capital end of period	<u>\$3,625,406</u>	<u>\$3,067,299</u>

ON COMPANY LIMITED
(the laws of Canada)

June 30, 1970

at December 31, 1969)

LIABILITIES

	June 30, 1970	December 31, 1969
Current:		
Accounts payable and accrued charges	\$ 207,142	\$ 94,736
Dividend payable	150,000	150,000
	<u>357,142</u>	<u>244,736</u>
Capital and Surplus:		
Capital —		
Authorized — 3,000,000 shares of no par value		
Issued — 2,500,000 shares	1,284,998	1,284,998
Earned surplus	15,347,206	14,866,521
	<u>16,632,204</u>	<u>16,151,519</u>

NOTE TO FINANCIAL STATEMENTS

June 30, 1970

The Balance Sheet at June 30, 1970 and the related statements of Income and Earned Surplus and Source and Application of Funds for the six months ending on that date have not been examined by the Company's auditors.

\$16,989,346

\$16,396,255

CONWEST EXPLORATION COMPANY LIMITED

STATEMENT OF INCOME AND EARNED SURPLUS

For the Six Months Ended June 30, 1970

(With comparative figures for the six months ended June 30, 1969)

Net income for the period:	1970	1969
Income —		
Dividends	\$ 531,897	\$ 327,545
Interest	148,026	93,312
	<u>679,923</u>	<u>420,857</u>
Expense —		
General exploration	61,177	80,349
General and administrative	98,779	87,928
Remuneration of Directors including those holding salaried employment	44,661	30,117
Depreciation	2,400	1,353
	<u>207,017</u>	<u>199,747</u>
Less portion of expenditures recovered from other companies	27,389	39,949
	<u>179,628</u>	<u>159,798</u>
	<u>500,295</u>	<u>261,059</u>
Excess of net gain realized on disposal of interest in mining properties and companies over exploration write-offs and provision for losses of subsidiary companies	130,390	370,801
Net income for the period	630,685	631,860
Earned surplus at beginning of year	14,866,521	13,243,805
	<u>15,497,206</u>	<u>13,875,665</u>
Dividend of 6 cents per share	150,000	150,000
Earned surplus at end of period	<u>\$15,347,206</u>	<u>\$13,725,665</u>

June 30, 1970

(The year ended June 30, 1970)

STATEMENT OF FINANCIAL POSITION

June 30, 1970	June 30, 1969
Assets	
Current assets	
Accounts payable and accrued charges	1,267,116
Prepaid expenses	1,267,116
Other current assets	1,267,116
Capital and surplus	
Capital—	
Authorized—2,000,000 shares of \$1.00 each	2,000,000
Issued—2,000,000 shares	2,000,000
Reserves	
Retained earnings	1,267,116
Other reserves	1,267,116
Total	4,831,348
Liabilities	
Accounts payable and accrued charges	1,267,116
Other liabilities	1,267,116
Total	2,534,232
Equity	
Capital—	
Authorized—2,000,000 shares of \$1.00 each	2,000,000
Issued—2,000,000 shares	2,000,000
Reserves	
Retained earnings	1,267,116
Other reserves	1,267,116
Total	4,534,232

NOTES TO FINANCIAL STATEMENTS

June 30, 1970

The balance sheet as at June 30, 1970 and the income statement for the year ended June 30, 1970 have been audited by the Chartered Accountants of the Province of Ontario and are accompanied by their report thereon.